

**CAL
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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CAL COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September, 2006 Election)

Roy Plagge	President	2007
Mark Johansen	Vice President	2007
Beth Eddy		2008
Jacki Anderson		2008
Lee Schaefer		2006

(After September, 2006 Election)

Roy Plagge	President	2007
Mark Johansen	Vice President	2007
Beth Eddy		2008
Jacki Anderson		2008
Shawn Elphic		2009

School Officials

Steven Lane	Superintendent
Beverly Stratmann	District Secretary
Marlys Pralle	District Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
CAL Community School District:

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of CAL Community School District, Latimer, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

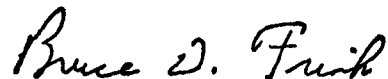
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of CAL Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2008 on our consideration of CAL Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 30 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CAL Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

BRUCE D. FRINK
Certified Public Accountant

March 10, 2008

CAL COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAL Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,508,636 in fiscal year 2006 to \$2,622,615 in fiscal year 2006 (5% increase), while General Fund expenditures increased from \$2,492,437 in fiscal year 2006 to \$2,691,362 in fiscal year 2007 (8% increase).
- The increase in General Fund revenues was primarily attributable to increases in state revenues. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The General Fund balance decreased approximately 8%. 4% allowable growth is insufficient to meet the rising costs of maintaining our educational programs.
- The local option sales tax has allowed the District to complete a half-million dollar building and remodeling project.
- A Federal grant for \$187,350 was received to aid in financing the new construction.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of CAL Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report CAL Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which CAL Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

CAL Community School District Annual Financial Report

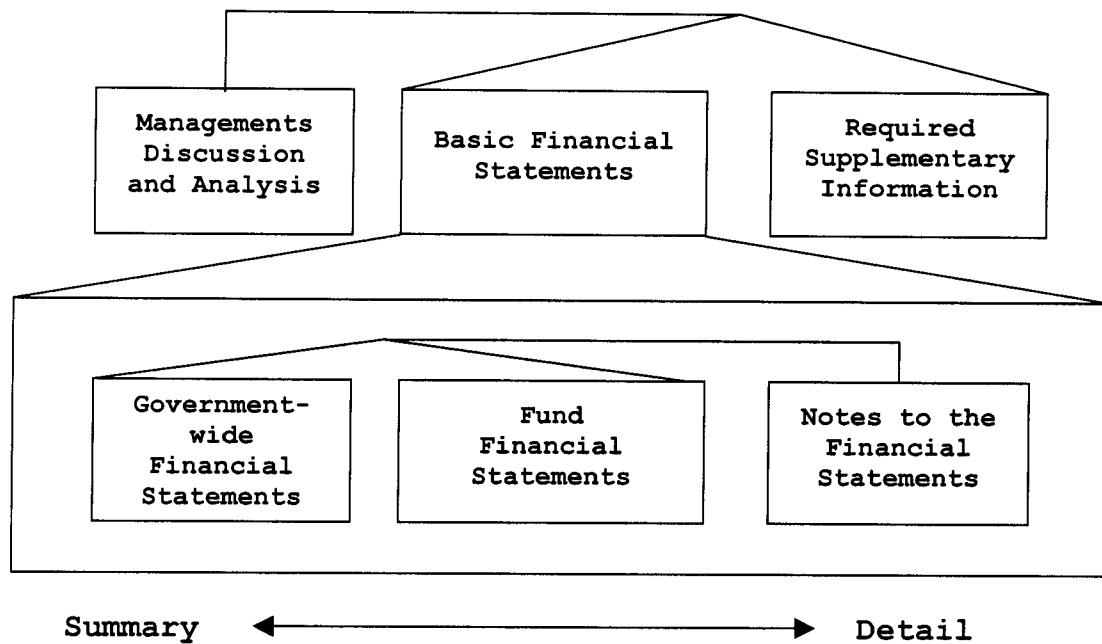


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	<ul style="list-style-type: none"> . Statement of Net Assets . Statement of Activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> . Statement of Net Assets . Statement of Revenues, Expenses and Changes in Net Assets . Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Funds, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Current assets	2,578	2,582	53	45	2,631	2,627	0.15%
Capital assets	2,159	1,841	-	-	2,159	1,841	17.27%
Total assets	<u>4,737</u>	<u>4,423</u>	<u>53</u>	<u>45</u>	<u>4,790</u>	<u>4,468</u>	<u>7.21%</u>
Current liabilities	1,402	1,415	-	-	1,402	1,415	-0.92%
Non-current liabilities	-	-	-	-	-	-	0.00%
Total liabilities	<u>1,402</u>	<u>1,415</u>	<u>-</u>	<u>-</u>	<u>1,402</u>	<u>1,415</u>	<u>-0.92%</u>
Net Assets							
Invested in capital assets, net of related debt	2,159	1,841	-	-	2,159	1,841	17.27%
Restricted	288	164	-	-	288	164	75.61%
Unrestricted	888	1,003	53	45	941	1,048	-10.21%
Total net assets	<u>3,335</u>	<u>3,008</u>	<u>53</u>	<u>45</u>	<u>3,388</u>	<u>3,053</u>	<u>10.97%</u>

Total net assets increased primarily from an increase in capital assets. Current resources from the capital projects fund are being used to pay for infrastructure items (addition and remodeling) that will be of long-term value to the District.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Change in Net Assets
(Expressed in Thousands)

	(Expressed in thousands)						
	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Revenues:							
Program revenues:							
Charges for service and sales	252	229	67	58	319	287	11.15%
Operating grants, contributions and restricted interest	547	528	86	74	633	602	5.15%
Capital grants, contributions and restricted interest	187	-	-	-	187	-	100.00%
General revenues:							
Property tax	1,174	1,190	-	-	1,174	1,190	-1.34%
Income surtax	145	115	-	-	145	115	26.09%
Local option sales tax	164	124	-	-	164	124	32.26%
Unrestricted state grants	880	745	-	-	880	745	18.12%
Unrestricted investment earnings	37	35	-	-	37	35	5.71%
Other	4	36	-	-	4	36	-88.89%
Total revenues	<u>3,390</u>	<u>3,002</u>	<u>153</u>	<u>132</u>	<u>3,543</u>	<u>3,134</u>	<u>13.05%</u>
Program expenses:							
Governmental activities:							
Instruction	2,080	1,972	-	-	2,080	1,972	5.48%
Support Services	770	771	-	-	770	771	-0.13%
Non-instructional programs	-	-	145	113	145	113	28.32%
Other expenses	<u>200</u>	<u>192</u>	<u>-</u>	<u>-</u>	<u>200</u>	<u>192</u>	<u>4.17%</u>
Total expenses	<u>3,050</u>	<u>2,935</u>	<u>145</u>	<u>113</u>	<u>3,195</u>	<u>3,048</u>	<u>4.82%</u>
Change in net assets	<u>340</u>	<u>67</u>	<u>8</u>	<u>19</u>	<u>348</u>	<u>86</u>	<u>304.65%</u>

Property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,389,733 and expenses were \$2,935,184.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
	\$	\$		\$	\$	
Instruction	2,080	1,972	5.48%	1,393	1,323	5.29%
Support Services	770	771	-0.13%	748	750	-0.27%
Other expenses	200	192	4.17%	(78)	106	-173.58%
Totals	<u>3,050</u>	<u>2,935</u>	<u>3.92%</u>	<u>2,063</u>	<u>2,179</u>	<u>-5.32%</u>

- The cost financed by users of the District's programs was \$252,088.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$474,814.
- The net cost of governmental activities was financed with \$1,173,920 in property tax, \$879,654 in state foundation aid, and \$36,750 in interest income.

Business Type Activities

Revenues of the District's business type activities were \$152,580 and expenses were \$145,004. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted CAL Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,334,781 a twelve percent increase over last year's ending fund balances of \$2,994,851. The majority of the increase resulted from the increase in the Capital Projects Fund balance.

Governmental Fund Highlights

- The General Fund decreased as 4% allowable growth is inadequate to maintain current educational programs.
- The District used local option sales tax monies, as well as a large Federal grant, to finance additions to and remodeling of district facilities.

Proprietary Fund Highlights

The School Nutrition Fund balance increased due to increased participation as a result of having more students in the building while being able to maintain labor costs.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

Legal Budgetary Highlights

The District's receipts were \$106,662 more than budgeted receipts, a variance of 4%. The primary reason was receipt of a \$187,250 Federal construction grant. Without this grant, revenues would have been 2% less than budgeted.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Increased participation in the Nutrition Fund and carryover construction costs caused the District to exceed the published budget in two functions. However, the Nutrition Fund balance still grew and the construction costs were primarily a matter of timing between fiscal years.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$2.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 18% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$91,020.

The original cost of the District's capital assets was \$4,417,639. Governmental funds account for \$4,390,936, with the remainder of \$26,703 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Land	10	10	-	-	10	10	0.00%
Site improvements	34	36	-	-	34	36	-5.56%
Buildings	2,009	1,405	-	-	2,009	1,405	42.99%
Furniture and equipment	106	104	-	-	106	104	1.92%
Construction in progress	-	286	-	-	-	286	100.00%
Totals	<u>2,159</u>	<u>1,841</u>	<u>-</u>	<u>-</u>	<u>2,159</u>	<u>1,841</u>	<u>17.27%</u>

Long-Term Debt

The District borrowed \$155,000 during the year for the construction project. \$70,165 was repaid during the year. It is anticipated that the remaining \$84,835 will be repaid in fiscal year 2008. This is being repaid with sales tax revenues from the one-cent SILO tax.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Adequate allowable growth is necessary to maintain current educational programs.
- A high percentage of Dows students in grades 9-12 open enrolled or requested affected student status to CAL for the next several years. This increased funds coming into the District.
- Although the District has experienced declining enrollment in recent years, the District expects to maintain a stable enrollment for a few years. If the Legislature provides adequate allowable growth the District can maintain its financial position.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Beverly Stratman, District Secretary, CAL Community School District, 1441 Gull, Latimer, IA 50452.

Basic Financial Statements

CAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	1,090,646	51,307	1,141,953
Receivables:			
Property tax:			
Current year	16,357	-	16,357
Succeeding year	1,315,879	-	1,315,879
Income surtax - succeeding year	94,368	-	94,368
Due from other governments	60,962	-	60,962
Inventories	-	1,481	1,481
Capital assets, net of accumulated depreciation	2,158,490	-	2,158,490
Total assets	<u>4,736,702</u>	<u>52,788</u>	<u>4,789,490</u>
Liabilities			
Salaries and benefits payable	1,207	431	1,638
Deferred revenue:			
Succeeding year property tax	1,315,879	-	1,315,879
Capital loan notes - current portion	84,835	-	84,835
Total liabilities	<u>1,401,921</u>	<u>431</u>	<u>1,402,352</u>
Net assets			
Invested in capital assets, net of related debt	2,158,490	-	2,158,490
Restricted for:			
Management levy	113,027	-	113,027
Physical plant and equipment levy	65,141	-	65,141
Capital projects	110,252	-	110,252
Unrestricted	887,871	52,357	1,050,480
Total net assets	<u>3,334,781</u>	<u>52,357</u>	<u>3,497,390</u>

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses						
\$	\$	\$	\$	\$	\$	\$
2,079,515	250,489	436,364	-	(1,392,662)	-	(1,392,662)
Instruction:						
Support services:						
Student services	1,637	-	-	(1,637)	-	(1,637)
Instructional staff services	109,281	-	-	(109,281)	-	(109,281)
Administration services	256,407	-	-	(256,407)	-	(256,407)
Operation and maintenance of plant services	254,967	-	-	(234,599)	-	(234,599)
Transportation services	147,638	-	-	(146,039)	-	(146,039)
	769,930	20,368	-	(747,963)	-	(747,963)
Other expenditures:						
AEA flowthrough	89,727	89,727	-	-	-	-
Interest on long term debt	7,335	-	-	(7,335)	-	(7,335)
Facilities acquisition and construction	29,234	871	187,250	158,887	-	158,887
Depreciation (unallocated)*	74,062	-	-	(74,062)	-	(74,062)
	200,358	90,598	187,250	77,490	-	77,490
Total governmental activities	3,049,803	547,330	187,250	(2,063,135)	-	(2,063,135)

CAL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses					Total
\$	\$	\$	\$	\$	\$
Business type activities:					
Non-instructional programs:					
Nutrition services	145,004	86,075	-	-	7,576
Total	3,194,807	633,405	187,250	(2,063,135)	(2,055,559)
General revenues:					
Property tax levied for:					
General purposes				977,096	977,096
Management				89,999	89,999
Capital outlay				106,825	106,825
Income surtax					
General purposes				110,592	110,592
Capital outlay				34,095	34,095
Local option sales tax				163,649	163,649
Unrestricted state grants				879,654	879,654
Unrestricted investment earnings				36,750	36,750
Other				4,405	4,405
Total general revenue				2,403,065	2,403,065
Change in net assets					
Net assets beginning of year				339,930	7,576
Net assets end of year				2,994,851	44,781
				3,334,781	52,357
					3,387,138

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash	720,006	63,930	69,727	236,983	1,090,646
Receivables:					
Property tax:					
Current year	14,123	1,211	-	1,023	16,357
Succeeding year	1,118,472	107,407	-	90,000	1,315,879
Income surtax - succeeding year	94,368	-	-	-	94,368
Due from other governments	20,437	-	40,525	-	60,962
Total assets	<u>1,967,406</u>	<u>172,548</u>	<u>110,252</u>	<u>328,006</u>	<u>2,578,212</u>
Liabilities and Fund Balance					
Liabilities:					
Salaries and benefits payable	1,207	-	-	-	1,207
Deferred revenue:					
Succeeding year property tax	1,118,472	107,407	-	90,000	1,315,879
Succeeding year income surtax	94,368	-	-	-	94,368
Total liabilities	<u>1,214,047</u>	<u>107,407</u>	<u>-</u>	<u>90,000</u>	<u>1,411,454</u>
Fund balances:					
Reserved for capital projects	-	-	110,252	-	110,252
Unreserved	753,359	65,141	-	238,006	1,056,506
Total fund balance	<u>753,359</u>	<u>65,141</u>	<u>110,252</u>	<u>238,006</u>	<u>1,166,758</u>
Total liabilities and fund balances	<u>1,967,406</u>	<u>172,548</u>	<u>110,252</u>	<u>328,006</u>	<u>2,578,212</u>

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2007

Total fund balances of governmental funds (Exhibit C)	\$ 1,166,758
Amounts reported for governmental activities in the statement of net assets are different because:	
Income surtax receivable at June 30, 2007 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	94,368
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,158,490
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Capital loan notes	<u>(84,835)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 3,334,781</u>

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Fund Types

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,072,427	140,920	163,649	-	89,999	1,466,995
Tuition	224,027	-	-	-	-	224,027
Other	69,216	1,550	871	-	167,618	239,255
State sources	1,145,976	-	-	-	-	1,145,976
Federal sources	110,969	-	187,250	-	-	298,219
Total revenues	2,622,615	142,470	351,770	-	257,617	3,374,472
Expenditures:						
Current:						
Instruction:	1,886,808	47,282	-	-	145,425	2,079,515
Support services:						
Student services	1,637	-	-	-	-	1,637
Instructional staff services	109,281	-	-	-	-	109,281
Administration services	256,407	-	-	-	-	256,407
Operation and maintenance of plant services	225,942	-	-	-	59,579	285,521
Transportation services	121,560	-	-	-	9,120	130,680
	714,827	-	-	-	68,699	783,526
Other expenditures:						
AEA flowthrough	89,727	-	-	-	-	89,727
Debt service:						
Principal	-	-	-	70,165	-	70,165
Interest	-	-	-	7,335	-	7,335
Facilities acquisition and construction	-	39,273	367,920	-	-	407,193
	89,727	39,273	367,920	77,500	-	574,420
Total expenditures	2,691,362	86,555	367,920	77,500	214,124	3,437,461

CAL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	(68,747)	55,915	(16,150)	(77,500)	43,493	(62,989)
Other financing sources (uses):						
Loan proceeds	-	155,000	-	-	-	155,000
Operating transfers in	-	-	159,217	77,500	-	236,717
Operating transfers out	-	(236,717)	-	-	-	(236,717)
	-	(81,717)	159,217	77,500	-	155,000
Net change in fund balance	(68,747)	(25,802)	143,067	-	43,493	92,011
Fund balances beginning of year	822,106	90,943	(32,815)	-	194,513	1,074,747
Fund balances end of year	753,359	65,141	110,252	-	238,006	1,166,758

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2007

Net change in fund balances - total governmental funds (Exhibit E) \$ 92,011

Amounts reported for governmental activities in the
statement of activities are different because:

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 15,261

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	408,513	
Depreciation expense	(91,020)	317,493

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(155,000)	
Repaid	70,165	(84,835)

Change in net assets of governmental activities (Exhibit B) \$ 339,930

CAL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2007

	School Nutrition
	\$
Operating revenue:	
Local sources:	
Charges for services	66,505
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	40,556
Benefits	15,270
Supplies	89,178
Depreciation	-
Total operating expenses	145,004
Operating (loss)	(78,499)
Non-operating revenues:	
State sources	1,951
Federal sources	84,124
	86,075
Changes in net assets	7,576
Net assets beginning of year	44,781
Net assets end of year	52,357

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2007

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	66,505
Cash payments to employees for services	(55,395)
Cash payments to suppliers for goods or services	(82,220)
Net cash (used in) operating activities	(71,110)
Cash flows from non-capital financing activities:	
State grants received	1,951
Federal grants received	76,741
Net cash provided by non-capital financing activities	78,692
Net increase in cash and cash equivalents	7,582
Cash and cash equivalents beginning of year	43,725
Cash and cash equivalents end of year	51,307
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(78,499)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	-
Commodities used	7,383
(Increase) in inventory	(425)
Increase in salaries and benefits payable	431
	(71,110)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	51,307

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received federal commodities valued at \$7,383.

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

CAL Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Coulter, Alexander and Latimer, Iowa, and agricultural area in Franklin and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, CAL Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. CAL Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Physical Plant and Equipment Levy is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2007.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$269,984</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa School Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>10,100</u>	<u>-</u>	<u>-</u>	<u>10,100</u>
Capital assets being depreciated:				
Site Improvements	239,384	-	-	239,384
Buildings	2,306,131	663,399	-	2,969,530
Furniture and Equipment	1,141,368	30,554	-	1,171,922
Construction in progress	<u>285,440</u>	<u>-</u>	<u>285,440</u>	<u>-</u>
Total capital assets being depreciated	<u>3,972,323</u>	<u>693,953</u>	<u>285,440</u>	<u>4,380,836</u>
Less accumulated depreciation for:				
Site Improvements	203,034	2,441	-	205,475
Buildings	900,803	59,959	-	960,762
Furniture and Equipment	<u>1,037,589</u>	<u>28,620</u>	<u>-</u>	<u>1,066,209</u>
Total accumulated depreciation	<u>2,141,426</u>	<u>91,020</u>	<u>-</u>	<u>2,232,446</u>
Total capital assets being depreciated, net	<u>1,830,897</u>	<u>602,933</u>	<u>285,440</u>	<u>2,148,390</u>
Governmental activities, capital assets, net	<u>1,840,997</u>	<u>602,933</u>	<u>285,440</u>	<u>2,158,490</u>
Business type activities:				
Furniture and equipment	26,703	-	-	26,703
Less accumulated depreciation	<u>26,703</u>	<u>-</u>	<u>-</u>	<u>26,703</u>
Business type activities capital assets, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				16,958
Unallocated				<u>74,062</u>
				<u>91,020</u>
Business Type activities:				
Food service operations				<u>-</u>

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll, for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$95,232, \$89,273, and \$78,748 respectively, equal to the required contributions for each year.

(5) Risk Management

CAL Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$89,727 for year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Capital Loan Notes/Debt

The District borrowed \$155,000 from First Citizens National Bank for the construction of additions to and remodeling of the existing school building. \$70,165 of this was repaid during the fiscal year ending June 30, 2007, with the remainder projected to be repaid in fiscal year 2008 from proceeds of the School Infrastructure Local Option Sales Tax. The interest rate is 5.75%

Required Supplementary Information

CAL COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance -
	Actual	Actual	\$	\$	\$	\$
Revenues:						
Local sources	1,930,277	66,505	1,996,782	1,984,118	1,984,118	12,664
State sources	1,145,976	1,951	1,147,927	1,133,772	1,133,772	14,155
Federal sources	298,219	84,124	382,343	302,500	302,500	79,843
Total revenues	<u>3,374,472</u>	<u>152,580</u>	<u>3,527,052</u>	<u>3,420,390</u>	<u>3,420,390</u>	<u>106,662</u>
Expenditures:						
Instruction	2,079,515	-	2,079,515	2,430,000	2,430,000	350,485
Support services	783,526	-	783,526	1,220,700	1,220,700	437,174
Non-instructional programs	-	145,004	145,004	117,750	117,750	(27,254)
Other expenditures	574,420	-	574,420	444,720	444,720	(129,700)
Total expenditures	<u>3,437,461</u>	<u>145,004</u>	<u>3,582,465</u>	<u>4,213,170</u>	<u>4,213,170</u>	<u>630,705</u>
Excess (deficiency) of revenues over (under) expenditures	(62,989)	7,576	(55,413)	(792,780)	(792,780)	737,367
Other financing sources (uses)	<u>155,000</u>	-	<u>155,000</u>	-	-	<u>155,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	92,011	7,576	99,587	(792,780)	(792,780)	892,367
Balance beginning of year	<u>1,074,747</u>	<u>44,781</u>	<u>1,119,528</u>	<u>1,215,424</u>	<u>1,215,424</u>	<u>(95,896)</u>
Balance end of year	<u><u>1,166,758</u></u>	<u><u>52,357</u></u>	<u><u>1,219,115</u></u>	<u><u>422,644</u></u>	<u><u>422,644</u></u>	<u><u>796,471</u></u>

See accompanying independent auditor's report.

CAL COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

CAL COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2007

	Management	Student Activity	Total
	\$	\$	\$
Assets			
Cash and pooled investments	112,004	124,979	236,983
Property tax receivable:			
Current year	1,023	-	1,023
Succeeding year	90,000	-	90,000
Total assets	<u>203,027</u>	<u>124,979</u>	<u>328,006</u>
Liabilities and Fund Balance			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	90,000	-	90,000
	<u>90,000</u>	<u>-</u>	<u>90,000</u>
Fund balance:			
Unreserved fund balance	113,027	124,979	238,006
	<u>113,027</u>	<u>124,979</u>	<u>238,006</u>
Total liabilities and fund balances	<u>203,027</u>	<u>124,979</u>	<u>328,006</u>

See accompanying independent auditor's report.

CAL COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2007

	Management	Student Activity	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	89,999	-	89,999
Other	18,818	148,800	167,618
State sources	-	-	-
Total revenues	<u>108,817</u>	<u>148,800</u>	<u>257,617</u>
Expenditures:			
Instruction:	-	145,425	145,425
Support services:			
Plant operation and maintenance	59,579	-	59,579
Student transportation	<u>9,120</u>	<u>-</u>	<u>9,120</u>
Total expenditures	<u>68,699</u>	<u>145,425</u>	<u>214,124</u>
Excess (Deficiency) of revenues over (under) expenditures	40,118	3,375	43,493
Fund balances beginning of year	<u>72,909</u>	<u>121,604</u>	<u>194,513</u>
Balance end of year	<u><u>113,027</u></u>	<u><u>124,979</u></u>	<u><u>238,006</u></u>

See accompanying independent auditor's report.

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Drama	1,335	5,141	4,476	2,000
Vocal Music	274	3,579	2,753	1,100
Instrumental Music	(1,032)	3,478	1,346	1,100
Cross Country	1,027	1,720	1,661	1,086
Golf	106	1,227	679	654
Boys Basketball	2,422	2,894	3,816	1,500
Football	2,271	4,376	5,147	1,500
Baseball	(256)	2,198	1,860	82
Boys Track	1,220	1,391	1,511	1,100
Wrestling	153	2,806	1,859	1,100
Girls Basketball	3,369	8,306	10,175	1,500
Volleyball	2,233	5,473	6,206	1,500
Softball	(16)	3,296	3,135	145
Girls Track	(1,485)	4,531	1,977	1,069
Early Childhood/Preschool	2,138	211	1,353	996
Annual	(2,045)	6,909	4,289	575
Activity Passes	3,024	3,305	6,329	-
Swing Choir	(22)	55	33	-
Art Club	88	-	87	1
FFA	9,692	14,891	13,020	11,563
Cheerleaders	2,547	2,707	3,754	1,500
National Honor Society	(66)	241	71	104
Pennies	770	14,334	7,902	7,202
Washington DC Trip	82	-	82	-
Spanish Club	(367)	9,163	8,796	-
Student Council	1,898	9,603	10,001	1,500
Class of 2007	1,180	335	1,515	-
Class of 2008	965	2,980	3,684	261
Class of 2009	1,335	626	293	1,668
Class of 2010	674	1,291	987	978
Class of 2011	1,152	11,266	9,869	2,549
Class of 2012	-	1,757	969	788
High School Activity	1,195	2,121	3,090	226
Class of 2005	174	-	174	-
Class of 2006	(1,218)	1,218	-	-
Elementary Activity	1,620	2,850	3,244	1,226
Jr High Boys Basketball	(3)	615	380	232
Jr High Boys Track	601	-	391	210
Jr High Football	1,614	-	1,414	200
Jr High Volleyball	284	296	160	420
Jr High Girls Basketball	648	414	630	432
Jr High Girls Track	521	289	510	300

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
Greenhouse	69	2,945	1,339	1,675
Concessions	-	6,066	4,566	1,500
Concessions Equipment	822	-	364	458
Nurses Fund	548	50	50	548
Interest	78,141	4,775	12,800	70,116
Jump Rope for Heart	111	586	586	111
Music Resale	(1,014)	1,793	779	-
Art Resale	45	-	-	45
Materials for Resale	193	1,440	1,562	71
RIF	2,587	2,069	2,568	2,088
	121,604	157,617	154,242	124,979
Less interaccount transfers		(8,817)	(8,817)	
Total	121,604	148,800	145,425	124,979

See accompanying independent auditor's report.

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,466,995	1,407,383	1,465,673	1,297,920
Tuition	224,027	228,663	112,982	70,577
Other	239,255	262,003	258,763	214,290
State sources	1,145,976	985,164	1,029,496	1,013,090
Federal sources	298,219	96,766	163,195	164,823
Total	<u>3,374,472</u>	<u>2,979,979</u>	<u>3,030,109</u>	<u>2,760,700</u>
Expenditures:				
Instruction	2,079,515	1,972,150	1,794,257	1,756,581
Support services:				
Student	1,637	10,827	30,383	37,406
Instructional staff	109,281	80,510	132,444	131,181
Administration	256,407	251,455	234,129	235,909
Operation and maintenance of plant	285,521	276,391	342,120	222,317
Transportation	130,680	131,514	121,570	198,388
Central support	-	-	-	1,112
Noninstructional programs:				
Food service operations	-	-	15,949	16,132
Other expenditures:				
Facilities acquisition	407,193	336,595	13,641	48,284
Debt Service				
Principal	70,165	-	-	-
Interest	7,335	-	-	-
AEA flowthrough	89,727	82,702	83,366	85,778
Total	<u>3,437,461</u>	<u>3,142,144</u>	<u>2,767,859</u>	<u>2,733,088</u>

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
CAL Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of CAL Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CAL Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of CAL Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CAL Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects CAL Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of CAL Community School District's financial statements that is more than inconsequential will not be prevented or detected by CAL Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by CAL Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-I-A is a material weakness.

Compliance and Other Matters

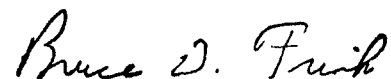
As part of obtaining reasonable assurance about whether CAL Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

CAL Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit CAL Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of CAL Community School District and other parties to whom CAL Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of CAL Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 10, 2008

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

07-I-A Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

07-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.

07-II-B Certified Budget - Expenditures for the year ended June 30, 2007 exceeded the amount budgeted in the non-instructional programs and other expenditures functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

07-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

07-II-E Business Transactions - No business transactions between the District and District officials or employees.

07-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

- 07-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 07-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 07-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 07-II-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.